

Considerations From Top Counties Research

Prepared by the Opt-in Work Group (12/9/2014)

After conducting some initial research into the most significant extractives producing counties in the US, the Opt-in Work Group offers the following considerations for discussion by the MSG.

The starting methodology was to identify the top 3-5 producing counties for each of 6 major extractives commodities: oil, gas, coal, gold, copper, and iron ore. Publically available data was collected to the extent possible on production, revenue collected/allocated, size of the extractives industry, employment, revenue sustainability, resource dependence, and community impacts more generally. The Opt-in Work Group does not have a proposal for specific counties at this time, but did consider how various combinations of counties would balance practical limitations with meaningfulness of the report.

Strict vs Flexible Methodology

As was discussed during the September MSG meeting, simply choosing the top producing/revenue collecting county for each commodity will not necessarily yield the most useful set of counties for the purposes of the EITI report. This expectation was confirmed during initial research, which suggests that for a variety of reasons, which will be treated below, a flexible methodology which takes into account geographical diversity, quality of available data, and willingness of the county to engage with USEITI, among others, will be most beneficial to the purposes of the USEITI report.

Trends in Production

Examination of the top-producing counties over the past few years reveals that the specific “ranking” of the top counties fluctuates year-to-year. There is however an elite tier of counties which are perennially among the most significant producers. It is therefore not necessarily critical that the counties chosen be #1 in production in any given year. Weight should be given to other determinants like quality of data and geographical diversity when choosing a single exemplary county among the elite tier.

The MSG should also give consideration to longer-term production trends when choosing counties. Research revealed that certain regions of the country are experiencing rapid increases in production while others are experiencing significant declines. These long-term trends are especially important to consider since the contextual narrative will track these counties over a ten-year period into the future. There are merits to including both upward and downward trending counties. The upward trending counties are more likely to remain relevant into the future. On the other hand, a county with declining production may provide a better account of revenue sustainability and resource dependence issues.

Variance in County Size and Population

Counties in the US vary a great deal in geographic size. The amount of resource present in a county is partially dependent on the geographic area of that county. Considering that this project is in part meant to highlight communities where extractives industries have the most significant, acute impacts, it may be beneficial to consider the density of production within a

county as well as total production. This would ensure that a relatively smaller county is not overlooked when extractives activities in that county may in fact have a more substantial and essential impact than in larger counties where extraction is more widely geographically dispersed.

A similar argument can be made for considering the population density of candidate counties. In certain instances, it may be beneficial to disqualify counties with extraordinarily small populations in favor of counties with comparable production but more substantial populations.

The MSG should also consider the extent to which the counties chosen should reflect the top producing states. For example, Texas was the highest producing state in 2013 for both oil and gas. However, for each of those commodities, the top-ranked producing counties are in other states. So while Texas counties as a whole produce the most oil and gas, that production is more geographically dispersed than in other states where production is more concentrated in just one or two counties.

Combining Counties

For many of the reasons described above, the Opt-in Work Group found that it may be reasonable and beneficial in some instances to consider certain counties together for purposes of the report. The highest producing counties in a state are often geographically adjacent and may even be treated together for purposes of regulation and data collection. Furthermore, as discussed above, county lines are fairly arbitrary relative to the presence of resources and the year-to-year rankings between the top counties within a state often fluctuate depending on production shifts at particular wells or mines, meaning that the #1 rank in any given year is not as meaningful as the fact that a certain set of counties are consistently among the top producers. Tracking a small group of these top-producing counties as a unit will help to ensure the relevancy of that portion of the report in the future, especially when individual counties may see decline. While this strategy would represent somewhat of a departure from the original methodology agreed upon by the contextual narrative work group, the Opt-in Work Group suggests the MSG consider the possibility of combining counties where practical and appropriate.

Geographical Diversity

It was agreed at the outset of this project that geographical diversity should be taken into account when selecting counties in order to ensure that the chosen counties represent the varying experiences of communities affected by extractives nationwide. Initial research revealed that certain regions of the country indeed have high concentrations of several of the commodities in question, which confirms that the MSG should consider deferring to somewhat less productive counties in some instances to the benefit of diversity among the selected counties.

The Opt-in Work Group also discussed the possibility of using an additional county in instances where there are notable regional differences in how that commodity affects communities. For example, there are significant differences between western and eastern coal, especially in terms of the historical effect coal has had on communities in those regions. In order to provide a full, meaningful account of coal's effects on communities nationwide, the MSG might consider including both a western and an Appalachian coalfield county. This may also hold true for other commodities such as oil and gas, where activities in the northern and southern regions of the country may trend differently.

Type and Quality of Data

During the course of research it became apparent that certain types of data will be much easier to locate than others. Specifically, empirical data on production, employment, and to a lesser extent allocation of revenue is fairly common. Studies on revenue sustainability and resource dependence specifically pertaining to certain counties or regions were much harder to come by, likely because they require more in-depth academic analysis. It was also noted that empirical data is more likely to be provided by the county or state government itself, whereas studies on economic impacts or costs of industry tended to come from non-governmental organizations and universities.

Authoritativeness and Credibility of Data

Once a group of candidate counties has been narrowed down, more research and outreach will be necessary to identify and consult with groups who can furnish the more elusive types of data. It was noted during discussions by the Opt-in Work Group that the credibility and authoritativeness of data sources must be taken into account, especially where it pertains to studies necessarily involving subjective interpretation and projections for the future, as in the case of sustainability for example. In the case of the more in-depth, analytical information, it will be critical to use only highly credible sources.

Willingness to engage with EITI

As discussed above, differences in production among the top tier of producing counties, especially in the long-term, are fairly negligible. If the perennial top counties for each commodity are generally considered to be equally good options, it will be conducive to the success of the report to choose counties based on their willingness to engage with EITI. Counties that are willing to provide a point of contact and help locate or even furnish data themselves will prove immensely valuable, especially in ensuring the accuracy and comprehensiveness of data that is collected.